

CENTRAL INTELLIGENCE AGENCY
INFORMATION REPORT

REPORT

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COUNTRY East Germany

SUBJECT Differences of Opinion on the Economic Situation between Ulbricht and Warnke

DATE DISTR 26 April 1955

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Between 8 and 12 November 1954, when the 21st Plenary Session of the SED Central Committee was being prepared, discussions showed a difference of opinion between Ulbricht and Warnke.² The latter criticized the rationalization measures suggested for the East German economy and said that the new regulations for the calculation of wages meant a wage reduction. This tendency was also seen in the new system of workers' incentives. Warnke said in this connection that the new measures had made it difficult to praise the advantages of the socialist system over capitalism in propaganda directed to West German workers. Ulbricht, on the other hand, pointed out that the FDGB organizations in nationalized enterprises had proved a failure. These enterprises must be made a going concern and if Warnke had an idea how this could be brought about he should make his suggestions. This silenced Warnke.¹

1. Comment. After the proclamation of the New Course in mid-November (sic) 1953, prices were reduced and wages increased to a certain extent. This, was, however, not paralleled by a corresponding expansion of the consumer goods industry and labor productivity. There was a surplus of money which was hoarded in an ever increasing degree by the population and for which no goods could be bought. This development began to threaten the stability of the GDR currency. In the fall of 1954, it was estimated that a total of about 1.4 billion DEM was being hoarded by the population, especially in the rural areas. As a second currency reform after the pattern of the other satellite countries was considered unfeasible, the economy measures mentioned in the present report appear to be an absolute necessity. In his speech made before the SED Central Committee on 12 November 1954, Ulbricht took up in detail the measures to be taken in the near future in order to put the GDR economy on a profitable basis.

2. Comment: Walter Ulbricht and Herbert Warnke.

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Central Committee was being prepared, discussions showed a opinion between Ulbricht and Warnke. The latter criticized measures suggested for the East German economy and said that the new regulations for the calculation of wages meant a wage reduction. This was also seen in the new system of workers' incentives. Warnke in this connection that the new measures had made it difficult to the advantages of the Socialist system over capitalism in propaganda directed to West German workers. Ulbricht, on the other hand, pointed out that the FDBG organizations in nationalized enterprises had proved a failure. These enterprises must be made a going concern and if Warnke had an idea how this could be brought about he should make his suggestions. This silenced Warnke.

1. Comment. After the proclamation of the New Course in mid-November 1953, prices were reduced and wages increased to a certain extent. This, was, however, not paralleled by a corresponding expansion of the consumer goods market. There was a surplus of money which was not used for the purchase of goods. The availability of the GDR currency. In the fall of 1953, it was estimated that a surplus of [REDACTED] in [REDACTED] other [REDACTED] mentioned in the present report appear to be an absolute necessity. In his speech made before the SED Central Committee on 12 November 1954, Ulbricht took up in detail the measures to be taken in the near future in order to put the GDR economy on a profitable basis.
2. Comment: Walter Ulbricht and Herbert Warnke.

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